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Before the  
FEDERAL COMMUNICATIONS COMMISSION  
Washington, DC 20554

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FEDERAL COMMUNICATIONS COMMISSION  
OFFICE OF THE SECRETARY

In the Matter of

2000 Biennial Regulatory Review  
Telecommunications Service Quality  
Reporting Requirements

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CC Docket No. 00-229

WORLDCOM COMMENTS

I. Introduction and Summary

In the Notice of Proposed Rulemaking (Notice) in the above-captioned proceeding, the Commission asks for comment on proposals to modify the ARMIS 43-05 Service Quality Report and to eliminate the ARMIS 43-06 Customer Satisfaction Report. The Commission also asks whether it should impose certain service quality reporting requirements on CLECs.

Among the ARMIS changes proposed by the Commission is the elimination of Table I of the ARMIS 43-05 report, which requires the price cap ILECs to report installation intervals and other data concerning the quality of their access service provisioning. The Commission should not adopt this proposal. As long as the price cap ILECs remain dominant carriers, public reporting of access service quality reporting remains necessary to ensuring that ILEC access service quality is reasonable.

Nor should the Commission adopt its proposal to require CLECs to report service quality data. Not only is there no evidence that consumers are dissatisfied with CLEC service quality, but the costs associated with a service quality reporting requirement would unnecessarily burden CLECs that are trying to enter the local market.

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List A B C D E

## **II. The Commission Should Not Eliminate Table I of the ARMIS 43-05 Report**

### **A. Market Forces Are Not Sufficient to Ensure that Access Service Quality is Reasonable**

Contrary to the suggestion in the Notice, large IXCs do not have the “bargaining power” to obtain good-quality access service provisioning from the ILECs. Even though WorldCom is the ILECs’ second-largest access customer, spending billions of dollars per year on ILEC access services, WorldCom has experienced a steady decline in ILEC provisioning performance over the past two years. Installation intervals for special access and dedicated transport circuits have grown longer and longer, and the frequency with which the ILECs miss promised installation dates or fail to provide Firm Order Commitments (FOCs) in a timely manner has increased dramatically.

WorldCom has discussed the deficient and erratic ILEC provisioning performance in dozens of executive-level meetings with the ILECs over the past two years. But these meetings have produced little in the way of concrete improvements. While the ILECs routinely commit to improving their provisioning performance, they just as routinely fail to meet these commitments. Even when the ILECs do manage to achieve a modest improvement in service quality, that improvement is generally short-lived.

The ARMIS service quality data shows that WorldCom is not alone in experiencing a decline in provisioning performance in recent years. As is shown in the Attachment to these comments, which summarizes the ILECs’ ARMIS 43-05 Table I reports, every major ILEC’s average installation interval for special access circuits increased between 1997 and 1999. The ARMIS service quality data also shows that between 1997 and 1999 the percentage of access orders installed by the committed due date declined significantly at Bell Atlantic and Pacific Bell.

Further confirmation of the deterioration in ILEC provisioning performance is provided by a recent New York Department of Public Service staff analysis. After examining service quality data reported to the New York commission by Verizon-New York, the commission staff concluded that “on average, [Verizon] provisions Special Service circuits 16 business days after the date originally agreed to.”<sup>1</sup> Furthermore, customers reported that “Verizon sometimes offers no firm order commitments, loses orders and/or misses completion dates if they are established,” resulting in lost customers and revenues for these businesses.<sup>2</sup>

The ARMIS service quality data and WorldCom’s own experience show that competition is not sufficiently developed for ILEC access customers -- no matter how large -- to have the bargaining power to ensure that access service quality is reasonable. The ILECs have little incentive to maintain service quality because, on the vast majority of routes, IXCs and other access customers have no alternative to the ILEC. Even in the most “competitive” cities, no more than 10 percent of special access end user locations can be provisioned entirely over CLEC facilities.<sup>3</sup> For

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<sup>1</sup>Proceeding to Investigate Methods to Improve and Maintain High Quality Special Services Performance by Verizon New York Inc., Order Instituting Proceeding, New York Public Service Commission, Case 00-C-2051, issued November 24, 2000, Attachment at 12 (NYPSC Staff Analysis).

<sup>2</sup>Id. at 13 n.2.

<sup>3</sup>See, e.g., Petition of U S West Communications, Inc. for Forbearance, CC Docket No. 98-157, August 24, 1998. In Phoenix, U S West provides “high-capacity” (DS1 and above) special access service to 3,101 locations in the Phoenix MSA (Attachment B, at 3), but CLEC networks connect only to approximately 200 buildings (U S WEST Petn at 14-16).

all other special access locations, IXCs must continue to rely in whole or in part on ILEC facilities.<sup>4</sup>

**B. Service Quality Reporting Remains Necessary**

The Commission should not adopt its proposal to eliminate access service quality reporting. There has been no change in the factors that led the Commission to adopt the access service quality reporting requirement in the 1990 LEC Price Cap Order.<sup>5</sup> As was the case in 1990, market forces alone are insufficient to ensure that the price cap ILECs' access service quality is reasonable. And because competition does not provide sufficient incentive for the ILECs to maintain service quality, the reporting requirement remains an essential tool for guarding against the risk that "LECs under price cap regulation would seek to increase their profits not by becoming more productive, but by lowering the quality of service they provide."<sup>6</sup>

Indeed, the recent ARMIS service quality data shows that the ILECs are engaged in precisely the type of behavior that the service quality reports are intended to reveal: maximizing earnings by reducing service quality. As is discussed above, ARMIS service quality data for 1997-1999 shows a marked deterioration in the ILECs' provisioning performance. During the same period, the price cap ILECs' interstate earnings increased dramatically, from an average of 15.6

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<sup>4</sup>Even when an IXC can use CLEC facilities for a portion of a circuit, such as the entrance facility segment, the IXC is still reliant on the ILEC for the channel termination and interoffice portions of the circuit. Thus, IXCs are still affected by poor ILEC provisioning performance even if they obtain a portion of the circuit from a CLEC.

<sup>5</sup>Policy and Rules Concerning Rates for Dominant Carriers, Second Report and Order, 5 FCC Rcd 6786, 6827 (1990) (LEC Price Cap Order).

<sup>6</sup>Id.

percent in 1997 to 18.5 percent in 1999.<sup>7</sup> Pacific Bell increased its interstate earnings from 11.98 percent in 1997 to 20.87 percent in 1999, while allowing its “percentage of installation commitments met” to fall from 89 percent to 74 percent.<sup>8</sup> Similarly, Ameritech increased its interstate earnings from 18.22 percent in 1997 to 28.93 percent in 1999, while allowing its service to deteriorate to such an extent that the five state commissions in Ameritech’s territory were compelled to launch investigations of Ameritech’s “dismal” service quality.<sup>9</sup>

Detection of such a pattern of behavior requires periodic public reporting of ILEC access service quality data. As the Commission has discussed, the ARMIS reports “facilitate recurrent regulatory decisionmaking without undue delay or reliance on ad hoc data requests and special studies.”<sup>10</sup> Among other things, the ARMIS access service quality data provides an aggregate, not customer-specific, picture of an ILEC’s service quality.

Furthermore, elimination of the ARMIS 43-05 report’s Table I would be inconsistent with the Commission’s findings in the SBC/Ameritech Merger Order and the Bell Atlantic/GTE Merger Order.<sup>11</sup> In the merger orders, the Commission actually increased the frequency of the merging

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<sup>7</sup>Industry Analysis Division, Trends in Telephone Service, December, 2000, Table 4.1.

<sup>8</sup>Pacific Bell ARMIS 43-05 Reports, Table I, 1997-1999.

<sup>9</sup>See <http://www.cis.state.mi.us/mpsc/orders/press/2000/pr.txt.htm> See also letter from Dorothy T. Attwood, Chief, Common Carrier Bureau, FCC, to Mr. James W. Calloway, SBC, October 6, 2000.

<sup>10</sup>1998 Biennial Regulatory Review – Review of ARMIS Reporting Requirements; Petition for Forbearance of the Independent Telephone and Telecommunications Alliance, Report and Order in CC Docket No. 98-117; Fifth Memorandum Opinion and Order in AAD File No. 98-43, 14 FCC Rcd 11443, ¶ 22 (1999).

<sup>11</sup>Application of GTE Corporation, Transferor, and Bell Atlantic Corporation, Transferee, Memorandum Opinion and Order, CC Docket No. 98-184, released June 16, 2000 (Bell

ILECs' access service quality reporting (using the ARMIS 43-05 Table I report format), stressing that periodic service quality reports were necessary to facilitate benchmarking and to ensure that the Commission and others could take appropriate action in the event of service quality degradation.<sup>12</sup>

Rather than eliminate the ARMIS access service quality reporting requirement, the Commission should initiate a comprehensive review of ILEC access service quality. The Commission has not conducted a review of price cap ILEC access service quality trends since the last price cap performance review, which was completed in 1997. As a result, the Commission has not analyzed the service quality deterioration revealed by the 1997-1999 ARMIS data. A key issue that should be examined is whether the elimination of sharing from the price cap plan in 1997 may have provided an additional incentive for the ILECs to increase earnings by allowing service quality to deteriorate. Given that ILEC service quality is deteriorating, and that it will be several years before the Commission conducts the next full price cap performance review,<sup>13</sup> the Commission should initiate a standalone proceeding to review price cap ILEC service quality trends.

**C. The Commission Should Complete the Section 272(e)(1) Proceeding**

The ILECs are not merely suppliers to WorldCom and other carriers; they are also competitors in the provision of special access circuits to end users and, increasingly, competitors in

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Atlantic/GTE Merger Order); Applications of Ameritech, Corp., Transferor, and SBC Communications, Inc., Transferee, Memorandum Opinion and Order, CC Docket No. 98-141, released October 8, 1999 (SBC/Ameritech Merger Order).

<sup>12</sup>Bell Atlantic/GTE Merger Order at ¶ 329; SBC/Ameritech Merger Order at ¶ 404.

<sup>13</sup>The CALLS plan is intended to have a five-year term.

the long distance market. As the Commission has found, BOCs that have obtained in-region interLATA authority have the incentive to deny, delay, or degrade access services provided to interexchange carrier competitors.<sup>14</sup> The risk of such discrimination is particularly acute when a BOC's access provisioning capabilities are substandard. If the BOC does not have sufficient facilities to meet demand from all access customers or sufficient personnel to provision all access orders in a timely manner, the BOC will have more opportunities and a greater incentive to give priority to its long distance affiliate or to retail end user customers.<sup>15</sup>

In addition to initiating a comprehensive review of ILEC service quality, the Commission should adopt the reporting requirements that are necessary to implement Section 272(e)(1) of the Act. In the Non-Accounting Safeguards Order, the Commission determined that specific public disclosure requirements were necessary to implement this section, and adopted a Further Notice of Proposed Rulemaking that asked for comment on the format and timing of the reports that the BOCs would be required to provide.<sup>16</sup> Even though two BOCs have obtained interLATA authority, the Commission has not completed that rulemaking.

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<sup>14</sup>Bell Atlantic/GTE Merger Order at ¶ 187.

<sup>15</sup>NYPSC Staff Report at 21 ("As the dominant wholesaler, we grow concerned that Verizon may be tempted to provide its own subsidiaries (e.g., Verizon Advanced Data, Inc. and Verizon Long Distance) with better service than its competitors, particularly during this period of stress.")

<sup>16</sup>Implementation of the Non-Accounting Safeguards of Sections 271 and 272 of the Communications Act of 1934, as amended, First Report and Order and Further Notice of Proposed Rulemaking, CC Docket No. 96-149, 11 FCC Rcd 21905, 22020-22022 (1996) (Non-Accounting Safeguards Order).

While Verizon-New York and SBC-Texas both committed in their Section 271 applications to disclosing certain provisioning data,<sup>17</sup> the interim disclosure formats used by these BOCs are inadequate in several respects. Not only are the SBC and Verizon report formats different, but each report format lacks key performance measures and detail. For example, the Verizon report format provides only aggregate provisioning data, not separate data for DS1 and DS3 circuits.

More importantly, both SBC and Verizon appear to be claiming that they are not required to provide all of the data that is necessary to detect discrimination. The interim report formats included with these RBOCs' Section 271 applications aggregate the data for services provided to the BOC itself with the data for services provided to the BOC's affiliates, and do not provide data for services provided to non-affiliated entities. Unless the BOCs are required to report provisioning data for each of the three customer classes that are relevant under Section 272(e)(1) -- (1) non-affiliated entities; (2) the BOC's affiliate; and (3) the BOC itself -- it will be difficult for the Commission or interested parties to readily determine whether the BOC is in compliance with section 272(e)(1).<sup>18</sup>

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<sup>17</sup>Application by Bell Atlantic New York for Authorization Under Section 271 of the Communications Act to Provide In-Region InterLATA Service in the State of New York, Memorandum Opinion and Order, 15 FCC Rcd 3953, ¶ 418 (1999); Application by SBC Communications Inc., Southwestern Bell Telephone Company, and Southwestern Bell Communications Services, Inc., d/b/a Southwestern Bell Long Distance, Pursuant to Section 271 of the Telecommunications Act of 1996 to Provide In-Region InterLATA Services in Texas, Memorandum Opinion and Order, CC Docket No. 00-65, released June 30, 2000, at ¶ 412.

<sup>18</sup>As AT&T discussed in its comments in CC Docket No. 96-149, the Commission should at a minimum require a BOC to provide an unaffiliated entity with data concerning the BOC's provisioning of services to that carrier, using the same metrics the Commission requires BOCs to report concerning their provisioning of themselves and their affiliates. As AT&T notes, much of the data relevant to Section 272(e)(1) may involve metrics the BOCs themselves can most readily capture. Comments of AT&T Corp., CC Docket No. 96-149, February 19, 1997, at 20 n. 26.



The delay in adopting a standard report format that meets the requirements of Sections 272(e)(1) only increases the risk that BOCs will discriminate in favor of their own affiliates or their retail end user customers. As the Commission concluded in the Non-Accounting Safeguards Order, “[i]f competitors can easily obtain data about a BOC’s compliance with section 272(e)(1), this increases the likelihood that potential discrimination can be detected and penalized; this, in turn, decreases the danger that discrimination will occur in the first place.”<sup>19</sup>

### **III. The Commission Should Not Impose a Service Quality Reporting Requirement on CLECs**

The Commission’s proposal to impose new service quality reporting requirements on CLECs in a biennial review proceeding is wholly inconsistent with the objectives of Section 11 of the Act. The purpose of Section 11 is to eliminate regulations that are no longer necessary as the result of meaningful economic competition, not to impose new regulations on nondominant carriers that, as the Commission admits in the Notice, “may not have encountered regulatory burdens of this nature at the federal level.”<sup>20</sup>

There is no merit to the Commission’s suggestion that detailed CLEC service quality reporting is necessary to achieve the Commission’s consumer protection objectives. To succeed in the local exchange market, a CLEC must offer a combination of service quality and price that is superior to that offered by the ILEC; otherwise, consumers would have no reason to leave the incumbent. There has been no indication that these market forces are insufficient to ensure that CLEC service quality is reasonable. There is no evidence that consumers are dissatisfied with any

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<sup>19</sup>Non-Accounting Safeguards Order at ¶ 243.

<sup>20</sup>Id.

aspect of the service they are receiving from CLECs, much less any evidence that the service quality measurements proposed by the Commission are tailored to addressing specific consumer concerns.

Given the lack of any evidence that consumers are dissatisfied with any aspect of CLEC service quality, it is clear that the administrative costs associated with the proposed CLEC service-quality reporting requirement would greatly outweigh any consumer protection benefits. CLECs already face significant hurdles in entering the local exchange market. Rather than impose a burdensome requirement on all CLECs at this time, the Commission should rely on the complaint process to address any service quality issues that may arise with particular CLECs.

#### **IV. Conclusion**

For the reasons stated herein, the Commission should retain the access service quality reporting requirement for ILECs and issue an order in the Section 272(e)(1) proceeding. The Commission should not impose service quality reporting requirements on CLECs.

Respectfully submitted,  
WORLD COM, INC.

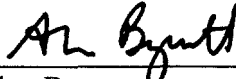


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January 12, 2001

STATEMENT OF VERIFICATION

I have read the foregoing, and to the best of my knowledge, information, and belief there is good ground to support it, and that it is not interposed for delay. I verify under penalty of perjury that the foregoing is true and correct. Executed on January 12, 2001.



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## CERTIFICATE OF SERVICE

I, Vivian I. Lee, do hereby certify that copies of the foregoing Comments were sent via first class mail, postage paid, to the following on this 12<sup>th</sup> Day of January, 2001.

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Vivian I. Lee

**Attachment: ARMIS Service Quality Data**  
**Special Access Provisioning Performance**

**Average Interval (in days)**

<b>ILEC</b>	<b>1997</b>	<b>1998</b>	<b>1999</b>
Ameritech	13.1	14.6	15.7
Bell Atlantic	13.0	20.5	17.7
BellSouth	14.0	14.8	15.9
Pacific Bell	21.0	20.0	22.4
SWBT	N/A	N/A	N/A
U S West	14.2	20.8	22.8
GTE (GTTC)	13.0	21.1	21.3

**Source: ARMIS 43-05, Table I, Row 114, column ac**

**Percentage of Commitments Met**

<b>ILEC</b>	<b>1997</b>	<b>1998</b>	<b>1999</b>
Ameritech	92.50	93.91	93.61
Bell Atlantic	96.53	94.45	84.71
BellSouth	88.46	85.14	85.12
Pacific Bell	89.21	89.16	74.45
SWBT	80.10	97.41	97.02
U S West	79.51	81.94	88.65
GTE (GTTC)	89.70	89.55	90.26

**Source: ARMIS 43-05, Table I, Row 112, column ac**